

## 2004 MAINE MINIMUM TAX WORKSHEET

Use this Worksheet to complete:

Form 1040ME, Schedule A, Line 3a – Enclose a copy of your 2004 federal Form 6251



\*0402104\*

Name(s) as shown on Form 1040ME

Your Social Security Number

**Do you owe a Maine Minimum Tax?** The following individuals must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax: **1)** Individuals that have a federal alternative minimum taxable income on federal Form 6251, line 28; and, **2)** Individuals who do not have a federal alternative minimum taxable income on federal Form 6251, line 28, but who do have Maine addition income modifications (see Maine Schedule 1, lines 1a through 1g), the total of which is greater than the Maine minimum tax exemption amount.

If you exceed these thresholds, you must file a Maine Minimum Tax Worksheet. See instructions and supporting Worksheets.

1. Federal alternative minimum taxable income (Federal Form 6251, line 28) ..... 1. \_\_\_\_\_
2. Modifications (May be a positive or negative number) - **See instructions** ..... 2. \_\_\_\_\_
3. Maine tentative alternative minimum taxable income (add or subtract line 2 to or from line 1). If zero or less, enter zero ..... 3. \_\_\_\_\_
4. **Exemption.** Enter amount for your filing status shown below: ..... 4. \_\_\_\_\_  

If your filing status is:	and line 3 is not over:	Enter on line 4:
Single or Head of Household .....	\$112,500 .....	\$35,750
Married filing Jointly or Qualifying Widow(er) .....	\$150,000 .....	\$49,000
Married Filing Separately .....	\$75,000 .....	\$24,500

**If line 3 is more than the amount shown above for your filing status, see instructions.**
5. Maine alternative minimum taxable income (subtract line 4 from line 3). If zero or less, enter zero ..... 5. \_\_\_\_\_
6. Tentative minimum tax. **See instructions** ..... 6. \_\_\_\_\_
7. **Nonresident and part-year resident** apportionment factor (Maine residents enter 100%) - **See instructions** ..... 7. \_\_\_\_\_ %
8. Multiply line 6 by line 7, enter result here ..... 8. \_\_\_\_\_
9. Maine income tax (Form 1040ME, line 20 less line 25) ..... 9. \_\_\_\_\_
10. Alternative minimum tax (Subtract line 9 from line 8) ..... 10. \_\_\_\_\_
11. Credit against the Maine minimum tax for minimum tax paid to other jurisdictions (For Maine residents only).  
Enter line E from Worksheet below. .... 11. \_\_\_\_\_
12. Maine Minimum Tax (subtract line 11 from line 10 – if zero or less, enter zero. Enter result on 1040ME, Schedule A, line 3a) .... 12. \_\_\_\_\_

(Worksheet for line 11 above – **Maine residents only: Credit Against the Maine Minimum Tax** for tax paid to other taxing jurisdictions)

- A. Taxpayer's total income associated with Maine tentative minimum tax (Line 6 above) ..... A. \_\_\_\_\_
- B. Taxpayer's income associated with the Maine tentative minimum tax derived from other jurisdiction ..... B. \_\_\_\_\_
- C. Percentage of income taxed by other jurisdiction (Divide line B by line A) ..... C. \_\_\_\_\_ %
- D. Limitation of credit:
  1. Net state minimum tax (Line 10 above) multiplied by percent on line C ..... D(1). \_\_\_\_\_
  2. Minimum tax paid other jurisdiction on income taxed under the Maine minimum tax ..... D(2). \_\_\_\_\_
- E. Allowable credit, the lesser of lines D(1) or D(2). Enter here and on line 11 above ..... E. \_\_\_\_\_

## 2004 MAINE MINIMUM TAX CREDIT AND CARRYFORWARD TO 2005

Worksheet for 1040ME, Schedule A, Line 15

Enclose a copy of 2004 federal Form 8801

13. Enter the amount from line 12 of the 2003 Maine Minimum Tax Worksheet ..... 13. \_\_\_\_\_
14. Minimum tax credit carryforward from 2003 (2003 Maine Minimum Tax Worksheet, line 23) ..... 14. \_\_\_\_\_
15. Enter 2003 net state minimum tax on federal exclusion items – From worksheet at [www.maine.gov/revenue](http://www.maine.gov/revenue) ..... 15. \_\_\_\_\_
16. 2003 adjusted net state minimum tax (Line 13 plus line 14 minus line 15 – if zero or less, enter zero) ..... 16. \_\_\_\_\_
17. Enter 2004 Maine income tax liability (2004 1040ME, line 20 plus line 21 [except minimum tax] minus line 22 minus line 24 [except minimum tax credit] minus line 25) ..... 17. \_\_\_\_\_
18. Enter 2004 Maine tentative minimum tax (Line 8 above) ..... 18. \_\_\_\_\_
19. Subtract line 18 from line 17 (If zero or less, enter zero) ..... 19. \_\_\_\_\_
20. **Maine minimum tax credit:** Enter the lesser of line 16 or 19 here and on 1040ME, Schedule A, line 15 ..... 20. \_\_\_\_\_
21. **Maine minimum tax credit carryforward to 2005** (Subtract line 20 from line 16) ..... 21. \_\_\_\_\_

**NOTE:** If you have a Maine minimum tax credit carryforward to 2005, keep a copy of the worksheet to submit with your 2005 Maine individual, trust or estate income tax return.

## Maine Minimum Tax — Income Modification Worksheet for Line 2

**Federal Alternative Minimum Taxable Income ("FAMTI")** (from federal Form 6251, line 28):

**1. ADDITIONS to federal alternative minimum taxable income.**

- a. Income from municipal and state bonds, other than Maine to the extent not included in FAMTI above ..... **1a** \_\_\_\_\_
- b. Net Operating Loss Recovery Adjustment (See instructions. Attach a schedule showing your calculation) ..... **1b** \_\_\_\_\_
- c. Maine State Retirement Contributions ..... **1c** \_\_\_\_\_
- d. Fiduciary Adjustment - additions only (See instructions. Attach a copy of your federal Schedule K-1) ..... **1d** \_\_\_\_\_
- e. Bonus Depreciation and Section 179 Add-back to the extent deducted in arriving at FAMTI (See instructions) ..... **1e** \_\_\_\_\_
- f. Other (See instructions). List the type and amount of income items included (attach a separate schedule, if necessary) ..... **1f** \_\_\_\_\_
- g. Deductible costs included in FAMTI above (from Maine Schedule 2, line 5b), incurred in the production of Maine exempt income (See instructions) ..... **1g** \_\_\_\_\_
- h. Amounts deducted in arriving at FAMTI (from Maine Schedule 2, line 5c) that are also being claimed for the Family Development Account Credit on Maine Schedule A, line 23 ..... **1h** \_\_\_\_\_
- i. Any deduction included in FAMTI shown above (from Maine Schedule 2, line 5d) attributable to income from an ownership interest in a flow-through entity financial institution ..... **1i** \_\_\_\_\_
- j. **Total additions** (Add lines 1a through 1i) ..... **1j** \_\_\_\_\_

**2. SUBTRACTIONS from federal alternative minimum taxable income.**

- a. U.S. Government Bond interest included in FAMTI above ..... **2a** \_\_\_\_\_
- b. Social Security and Railroad Retirement Benefits included in FAMTI above ..... **2b** \_\_\_\_\_
- c. Pension Income Deduction (from 1040ME, Schedule 1, line 2d) ..... **2c** \_\_\_\_\_
- d. Interest from Maine Municipal General Obligation & Private Activity Bonds included in FAMTI (See federal Form 6251, line 11) ..... **2d** \_\_\_\_\_
- e. Premiums for Long-Term Care Insurance (Do not include health insurance premiums on this line) (See instructions).  
**NOTE: If you itemize deductions, complete worksheet below** ..... **2e** \_\_\_\_\_
- f. Maine State Retirement System Pick-Up Contributions paid to the taxpayer during 2004 which have been previously taxed by the state ..... **2f** \_\_\_\_\_
- g. Federal Work Opportunity Credit (from Maine Schedule 1, line 2h) ..... **2g** \_\_\_\_\_
- h. **Fiduciary Adjustment-deductions only** (Attach a copy of your federal Schedule K-1) ..... **2h** \_\_\_\_\_
- i. Other. List (See instructions) (**Nonresidents and Part-year residents** - Do not enter non-Maine income) ..... **2i** \_\_\_\_\_
- j. Deductible costs of producing income exempt from federal income tax, but taxable by Maine (from Maine Schedule 2, line 6) (See instructions) ..... **2j** \_\_\_\_\_
- k. **Total Subtractions** (Add lines 2a through 2j) ..... **2k** \_\_\_\_\_

**3. Net Modification** (Subtract line 2k from line 1j — enter here and on Minimum Tax Worksheet, line 2

[May be a negative amount]) ..... **3** \_\_\_\_\_

### Maine Minimum Tax — Worksheet for Line 2e above

For individuals claiming a deduction for long-term care insurance premiums. Do not complete if you are **not** claiming Maine itemized deductions or if federal Schedule A, line 4 is zero.

- 1. Enter total amount of long-term care insurance premiums paid during 2004: ..... \$
- 2. Enter amount from federal Schedule A, line 1 ..... \$ \_\_\_\_\_
- 3. Enter amount of long-term care premiums included in line 2 above ..... \$ \_\_\_\_\_
- 4. Divide line 3 by line 2 ..... — . — — — —
- 5. Enter amount from federal Schedule A, line 4 minus federal Form 6251, line 2 \$ \_\_\_\_\_ and multiply by percentage on line 4 above ..... \$ \_\_\_\_\_
- 6. Subtract line 5 from line 1. Enter result here and on Maine Minimum Tax - Income Modification Worksheet, line 2e above ..... \$ \_\_\_\_\_

### Maine Minimum Tax — Exemption Worksheet for Line 4

**Note:** If the amount on line 3 of your Maine Minimum Tax Worksheet is equal to or more than: \$255,500 if single or head of household; \$346,000 if married filing jointly or qualifying widow(er); or \$173,000 if married filing separately; your exemption is zero. **Do not** complete this worksheet; instead, enter the amount from line 3, on line 5 and go to line 6.

- a. Enter: \$35,750 if single or head of household; \$49,000 if married filing jointly or qualifying widow(er);  
\$24,500 if married filing separately ..... a. \_\_\_\_\_
- b. Enter the amount from line 3 of your Maine Minimum Tax Worksheet ..... b. \_\_\_\_\_
- c. Enter: \$112,500 if single or head of household; \$150,000 if married filing jointly or  
qualifying widow(er); \$75,000 if married filing separately ..... c. \_\_\_\_\_
- d. Subtract line c from line b. If zero or less, enter -0- ..... d. \_\_\_\_\_
- e. Multiply line d by 25% (.25) ..... e. \_\_\_\_\_
- f. Subtract line e from line a. If zero or less, enter -0-. If this form is for a child under age 14, go to  
line g below. Otherwise, **stop here** and enter this amount on line 4 of the Maine Minimum Tax Worksheet ..... f. \_\_\_\_\_
- g. Child's minimum exemption amount ..... g. \$5,500
- h. Enter the **child's earned income**, if any ..... h. \_\_\_\_\_
- i. Add lines g and h ..... i. \_\_\_\_\_
- j. Enter the **smaller** of line f or line i here and on line 4 of the Maine Minimum Tax Worksheet ..... j. \_\_\_\_\_

### Maine Minimum Tax — Exclusion Items Worksheet for Line 15

Complete the following worksheet to compute the Maine minimum tax on exclusion items, line 15:

- a. Federal tentative minimum tax on exclusion items (From 2004 federal Form 8801, line 13) ..... a. \_\_\_\_\_
- b. Add: federal alternative minimum tax foreign tax credit on exclusion items (From federal Form 8801, line 12) ..... b. \_\_\_\_\_
- c. Modifications - Add: an amount equal to a federal alternative minimum tax on exclusion items relating to income  
subject to Maine income tax that is not subject to federal income tax (see 1040ME, Schedule 1).  
Subtract: portion of federal tentative minimum tax on exclusion items attributable to income that state or  
federal law prohibits from taxation ..... c. \_\_\_\_\_
- d. Adjusted federal tentative minimum tax on exclusion items (Combine lines a, b, and c) ..... d. \_\_\_\_\_
- e. **Nonresident** and **part-year** resident apportionment factor (Maine residents enter 100%)\* ..... e. \_\_\_\_\_ %
- f. Multiply line d by line e, enter result here ..... f. \_\_\_\_\_
- g. Rate ..... g. 27 %
- h. State minimum tax on exclusion items (Multiply line f by line g) ..... h. \_\_\_\_\_
- i. 2003 Maine income tax (2003 Form 1040ME, line 20 less line 25) ..... i. \_\_\_\_\_
- j. Net state minimum tax on exclusion items (Subtract line i from line h) ..... j. \_\_\_\_\_
- k. Credit against the Maine minimum tax on exclusion items for minimum tax paid to other taxing jurisdictions  
on exclusion items (For Maine residents only). Enter line E from worksheet below ..... k. \_\_\_\_\_
- l. 2003 Maine minimum tax on exclusion items (Subtract line k from line j – if zero or less, enter zero.  
Enter the result here and on line 15 of the Maine Minimum Tax Worksheet) ..... l. \_\_\_\_\_

\***Nonresident and part-year resident apportionment factor** (line e above) – The factor is the amount of the taxpayer's Maine-source income associated with the adjusted federal tentative minimum tax on exclusion items **divided** by the total income associated with the adjusted federal tentative minimum tax on exclusion items.

### Worksheet for line k above – Maine residents only

- A. Taxpayer's total income associated with adjusted federal tentative minimum tax on exclusion items ..... A. \_\_\_\_\_
- B. Taxpayer's income associated with adjusted federal tentative minimum tax on exclusion items derived  
from other jurisdiction ..... B. \_\_\_\_\_
- C. Percentage of income taxed by other jurisdiction (Divide line B by line A) ..... C. \_\_\_\_\_ %
- D. Limitation of Credit:
1. Net state minimum tax on exclusion items from line j above  
\$ \_\_\_\_\_ multiplied by \_\_\_\_\_ % on line C ..... D1. \_\_\_\_\_
2. Minimum tax on exclusion items paid other jurisdiction on income taxed under  
the Maine minimum tax ..... D2. \_\_\_\_\_
- E. Allowable credit, the smaller of line D(1) or D(2). Enter here and on line k above ..... E. \_\_\_\_\_

## MAINE MINIMUM TAX WORKSHEET INSTRUCTIONS

### Do you owe a Maine Minimum Tax?

The following individuals must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax:

- Individuals that have a federal alternative minimum taxable income on federal Form 6251, line 28;
- Individuals who do not have a federal alternative minimum taxable income on federal Form 6251, line 28, but who do have Maine addition income modifications (see Maine Schedule 1, lines 1a through 1f), the total of which is greater than the Maine minimum tax exemption amount (see Worksheet for Line 4).

If you exceed these thresholds, you must complete a Maine Minimum Tax Worksheet to determine whether you owe Maine minimum tax. See instructions and supporting Worksheets attached or call (207) 626-8475.

**Line 2.** The income modifications that apply to the Maine regular tax also apply to the Maine minimum tax. See Worksheet for Line 2 and related instructions for a description of the Maine income modifications. **Enter only amounts not already added to or subtracted from federal alternative minimum taxable income. The amount you enter on line 2 may be either a positive or negative number.**

**Line 4.** Enter on line 4 the appropriate amount from the table at line 4 on the Worksheet. If line 3 is greater than the income amount in the table for your filing status, complete and attach the **Worksheet for line 4 (Maine AMT Exemption Worksheet)**.

**Line 6.** Use the following tables to calculate the Maine tentative minimum tax.

(For all taxpayers except married individuals filing separate returns)

<u>If line 5 is:</u>	<u>The Tax is:</u>
Not more than \$175,000	7.0% of the adjusted Maine alternative minimum taxable income
Greater than \$175,000	\$12,250 plus 7.6% of the excess over \$175,000

(For married taxpayers filing separate returns)

<u>If line 5 is:</u>	<u>The Tax is:</u>
Not more than \$87,500	7.0% of the adjusted Maine alternative minimum taxable income
Greater than \$87,500	\$6,125 plus 7.6% of the excess over \$87,500

**Line 7.** The **nonresident and part-year resident apportionment factor** is the amount of the taxpayer's *Maine-source* income included on line 5 **divided** by the *total* income on line 5.

## MAINE MINIMUM TAX INSTRUCTIONS — Income Modification Worksheet for Line 2

**Line 1. ADDITIONS to federal alternative minimum taxable income.** Also include adjustments for the taxpayer's distributive share of such items from partnerships and S Corporations.

**Line 1a. Income from municipal and state bonds, other than Maine.** Enter the amount from Maine Schedule 1, line 1a. This is income from municipal and state bonds and private activity bonds, other than Maine, that is not included in your federal alternative minimum taxable income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds.

**Line 1b. Net Operating Loss Recovery Adjustment.** Enter on this line any federal alternative minimum tax net operating loss carried to the tax year that has been previously used to offset the modifications provided by 36 M.R.S.A. § 5122(1). For more information and examples, see page 6.

**Line 1c. Maine State Retirement Contributions.** Enter on this line the amount of your 2004 Maine State Retirement Contributions from Maine Schedule 1, line 1c. To calculate this amount, subtract your federal wages from your state wages appearing on your 2004 State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

**Line 1d. Fiduciary Adjustment - additions only.** If applicable, enter your share of the fiduciary adjustment (36 M.R.S.A. § 5122(3)). Generally, this is the amount from Maine Schedule 1, line 1d. You must attach a copy of your federal Schedule K-1 to verify your share of income.

**Line 1e. Bonus Depreciation/Section 179 Expense Add-back.** Federal alternative minimum taxable income must be increased by the net effect of the following amounts reflected in federal alternative minimum taxable income: **1)** 30% bonus

depreciation deduction claimed in accordance with Section 101 of the federal Jobs Creation and Worker Assistance Act of 2002, Public Law 107-147; **2)** 50% bonus depreciation deduction claimed in accordance with Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27; and, **3)** increase in section 179 expense due to 2003 federal law changes in Section 202 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 (the deduction limit increase from \$25,000 to \$100,000; the phase-out threshold increase from \$200,000 to \$400,000; and certain off-the-shelf computer software includable as eligible property for purposes of the section 179 deduction). The amount of this modification is determined by first recalculating the depreciation deduction and section 179 expense on federal Form 4562 exclusive of all bonus depreciation and the section 179 expense increases listed above. (**NOTE:** Do not capitalize section 179 deduction amounts disallowed for Maine purposes.) Enter on line 1e the difference between this recalculated depreciation/section 179 expense amount and the original depreciation/section 179 expense claimed for federal income tax purposes. Enclose both the actual and pro forma versions of federal Form 4562 with your Maine return.

**Line 1f. Other.** Enter on this line: • the amount of loss, deductions and other expenses of a financial institution subject to Maine franchise tax that are included in your federal alternative minimum taxable income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner; • amounts claimed as a business expense for federal alternative minimum tax purposes that are included in the investment credit for the high-technology investment tax credit;



• qualified tuition and other education expenses deducted on federal Form 1040, line 26, or Form 1040A, line 19 • student loan interest deduction (amounts based on payments made after 60 months from the start of the repayment period) on federal Form 1040, line 25, or Form 1040A, line 18 • amounts received from the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program. Generally, the amount entered on this line is equal to Maine Schedule 1, line 1f.

**Line 1g. Deductible costs, included in federal alternative minimum taxable income, incurred in the production of Maine exempt income.** Enter any interest or other expense deductions reflected in federal alternative minimum taxable income attributable to income not taxable under Maine law. Generally, this is the amount from Maine Schedule 2, line 5b.

**Line 1h. Family Development Account Credit.** Enter the amount of any charitable contribution deduction included in federal alternative minimum taxable income that is also claimed for the Family Development Account Credit on Maine Schedule A, line 23. This is the amount from Maine Schedule 2, line 5c.

**Line 1i. Ownership interest in a flow-through entity financial institution.** Enter any loss or deduction included in federal alternative minimum taxable income attributable to an ownership interest in a flow-through entity financial institution. Also include on this line the amount from Maine Schedule 2, line 5d.

**Line 2. SUBTRACTIONS from federal alternative minimum taxable income.** **NOTE: You may only subtract the items listed below on this schedule.** *Also include adjustments for the taxpayer's distributive share of such items from partnerships and S Corporations.*

**Line 2a. U.S. Government Bond Interest.** Enter income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds, U.S. Treasury bills and notes. Include on this line only the amount of interest included in your federal alternative minimum taxable income.

**Line 2b. Social Security and Railroad Retirement Benefits included in federal adjusted gross income.** Social Security benefits issued by the U. S. Government and Railroad Retirement benefits (Tier 1 and Tier 2) issued by the U.S. Railroad Retirement Board are not taxed by the State of Maine. Also, unemployment and sick benefits issued by the Railroad Retirement Board are not taxable to Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable as Maine income. Enter on this line amounts included in federal alternative minimum taxable income.

**Line 2c. Pension Income Deduction.** Enter the amount from line 2d of Maine Schedule 1. You must include copies of your 1099 forms to verify the deduction amounts claimed.

**Line 2d. Interest from Maine Municipal General Obligation & Private Activity Bonds included in federal alternative minimum taxable income.** You may have this type of interest included in your federal alternative minimum taxable income. Interest from these bonds is exempt from state income tax, even if taxed on the federal return. If you have interest of this type included in your federal alternative minimum taxable income, enter the amount on this line. Generally, this is the amount from Maine Schedule 1, line 2e.

**Line 2e. Premiums for Long-Term Care Insurance.** Enter on this line premiums paid for long-term care insurance. If federal Form 6251, line 2 is zero, enter the amount from Maine Schedule 1, line 2f. If federal Form 6251, line 2 is greater than zero, complete the worksheet for line 2e on page 2. To qualify, the insurance policy on which the premiums are paid 1) must meet the federal definition for a long-term care insurance contract (IRC § 7702B(b)) (these are long-term care premiums that generally qualify for federal itemized deductions), or 2) *must be certified by the Maine Bureau of Insurance.* Premiums claimed must be reduced by any premiums claimed as Maine itemized deductions.

**Line 2f. Maine State Retirement System Pick-Up Contributions.** Enter contributions paid to you in 2004 that have been previously taxed by the state. Use this line only if you retired after 1988 and are receiving retirement benefits from the Maine State Retirement System (MSRS). To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the check stub of your last pension check received from MSRS in 2004. Also enter on this line MSRS rollover amounts previously taxed by the state, whether or not included in federal alternative minimum taxable income.

**Line 2g. Federal Work Opportunity Credit.** Enter on this line the amount equal to your federal Work Opportunity Credit (from Maine Schedule 1, line 2h).

**Line 2h. Fiduciary Adjustment - deductions only.** If applicable, enter your share of the fiduciary adjustment (36 M.R.S.A. § 5122(3)). You must attach a copy of your federal Schedule K-1 to verify your share of income. Generally, this is the amount from Maine Schedule 1, line 2i.

**Line 2i. Other Deductions.** Enter on this line: Maine Lottery or Tri-State Lottery winnings received in 2004 won prior to January 1, 1987; settlement payments received by Holocaust victims that are included in federal alternative minimum taxable income; account proceeds from a Family Development Account administered by FAME; net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122(2)(H) or § 5122(2)(P); earnings from fishing operations that were contributed to a capital construction fund; withdrawals from Qualified State Tuition Programs established pursuant to 20-A M.R.S.A. § 11479 that were used for paying higher education expenses; and income from investments in the Northern Maine Transmission Corporation. Also enter on this line all items of income, gain, interest, dividends, royalties and other items of income of a financial institution subject to the Maine franchise tax that are included in your federal adjusted gross income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Except for net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, enter only amounts included in federal adjusted gross income. **Attach supporting documentation when claiming an amount on this line.** Generally this is the amount Maine Schedule 1, line 2j.

**Line 2j. Deductible costs of producing income exempt from federal income tax but taxable by Maine.** Enter any interest or other expense items attributable to income taxable under Maine law, but exempt from federal income tax. Enter only amounts not included in federal alternative minimum taxable income.

### Net Operating Loss.

A. For tax years **2000 and earlier** (except 1989 - 1993), Maine conforms to all federal net operating loss carrybacks and carryforwards.

B. For tax year **2001**, Maine allowed a two-year federal carryback in most cases, but allowed a longer carryback in certain situations (five years for farmers, for example. See IRC § 172). However, Maine decoupled from the five-year carryback period allowed under the Jobs Creation and Worker Assistance Act of 2002 (See federal PL 107-147).

C. For tax years **2002 and on**, Maine does not allow any NOL carryback.

### NET OPERATING LOSS RECOVERY ADJUSTMENT (Line

**1b)**: For tax years beginning after 2001, enter on this line an amount equal to any net operating loss carryover deduction claimed in this taxable year which has previously been used to offset Maine modifications to federal alternative minimum taxable income in accordance with 36 M.R.S.A. § 5122(1). See example below.

**NOTE:** The amount of any NOL carryover deduction claimed for federal income tax purposes in accordance with IRC § 172 which has previously been used to offset Maine modifications to federal taxable income under 36 M.R.S.A. § 5122(1) is reported on the Maine individual income tax return, line 15.

Attach a schedule showing the alternative minimum tax loss and use of modifications.

#### The following example illustrates the NOL Recovery Adjustment:

<u>Corresponding Line on Maine Return:</u>	<u>NOL Year 2004</u>	<u>Carryforward Years</u>	
		<u>2005</u>	<u>2006</u>
Federal adjusted gross income prior to NOL deduction	- 60,000	35,000	25,000
		<u>35,000</u>	<u>- 25,000</u>
14. FAGI after NOL deduction	- 60,000	0	0
15. ADDITION Modification 5122(1)(E)			<u>- 10,000</u>
Addition Modifications:			
15. Other	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>
16. Maine Adjusted Gross Income	-50,000	0	18,000

Of the original \$60,000 loss in 2004, the amount equal to the federal carryforward is allowed to offset addition modifications in 2004. The amount of the federal NOL carryforward must be reduced by the amount used in the loss year to offset addition modifications. In this example, \$10,000 of the federal NOL was used to offset Maine addition modifications in the year of the loss, reducing the overall allowable federal NOL in future years from \$60,000 to \$50,000. This reduction in allowable NOL is administered by an addition modification in 2006. For additional information concerning the NOL recovery adjustment, see [www.maine.gov/revenue](http://www.maine.gov/revenue).